

**Priorities of Government**

**Result Team Guide  
for  
Fall 2005 Tasks**

**This Guide Includes:**

*Description of Process Elements*

*Team Roles and Responsibilities*

*Instructions for Products*

*Resources for Teams*

## POG – Team Process Guide Fall/Winter 2005-06 Tasks

### Key Dates and Contacts

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Key POG Dates	
<b>October 13, 2005</b>	Part I Budget Instructions Published
<b>October 20, 2005</b>	Name of POG team designees due to OFM
<b>October 25, 2005</b>	POG Kick-off and Orientation Session 4:00-5:00 p.m. House Hearing Room B.
<b>January 13, 2006</b>	Final Products due from teams: <ul style="list-style-type: none"> <li>▪ Proposed indicators of success for statewide strategies</li> <li>▪ Three to Five proposed budget focus areas</li> </ul>
<b>February 2006</b>	Targeted budget instructions out to agencies
<b>April 2006</b>	Part II Budget Instructions Issued to Agencies
<b>May 1, 2006</b>	Strategic Plans for 2007-2011 due from agencies
<b>August - September</b>	Agency budgets due for the 2007-09 Biennium
<b>September-November</b>	POG teams reconvene for activity prioritization

### POG Team Participants – Fall 2006

<p style="text-align: center;"><b>Increase student achievement in elementary, middle and high schools</b></p> <p><b>Julie Salvi, Denise Graham, Marc Webster, OFM Budget</b>          Deb Merle, Judy Hartmann, OFM Policy          Staff and research support—Craig Olson, Carol Jenner, Pat Tasanasanta</p> <p>Note: Assume that the Washington Learns education study can meet the objectives and develop the products identified for this phase of POG. OFM staff involved in the effort will ensure the objectives are accomplished and that information is made available for the POG process.</p>	
<p style="text-align: center;"><b>Improve the economic vitality of business and individuals throughout the state</b></p> <ul style="list-style-type: none"> <li>• Dept of Comm. Trade and Economic Dev.</li> <li>• Dept. of Labor and Industries</li> <li>• Dept. of Agriculture</li> <li>• Dept. of Revenue</li> <li>• Dept. of Financial Institutions</li> <li>• Employment Security Dept.</li> <li>• Utilities and Transportation Comm.</li> <li>• WorkFirst, Carole Holland</li> <li>• Marc Baldwin, Policy</li> <li>• <b>Theo Yu, Budget</b></li> </ul> <p>Staff and research support: Doug Jenkins, Mike Woods, Jim Schmidt</p>	<p style="text-align: center;"><b>Improve the security of Washington's vulnerable children and adults</b></p> <ul style="list-style-type: none"> <li>• Dept. of Social and Health Services – various administrations</li> <li>• Dept of Comm. Trade and Economic Dev.</li> <li>• Office of the Superintendent of Public Instruction</li> <li>• Dept. of Veterans Affairs</li> <li>• Home Care Quality Authority</li> <li>• <b>Kari Burrell, Policy</b></li> <li>• <b>Cheri Keller, Budget</b></li> </ul> <p>Staff and research support: Cheri Keller, Tom Lineham, Deb Came</p>

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<p><b>Improve the safety of people and property</b></p> <ul style="list-style-type: none"> <li>• Military Dept.</li> <li>• Wash. State. Patrol</li> <li>• DSHS-Juvenile Rehabilitation</li> <li>• DSHS-Drug and Alcohol Substance Abuse</li> <li>• Dept. of Corrections</li> <li>• Dept. of Licensing</li> <li>• John Lane, Policy</li> <li>• <b>Garry Austin, OFM Budget</b></li> </ul> <p>Staff and research support: Nick Lutes, Steve Masse, Thea Mounts</p>	<p><b>Improve the health of Washingtonians</b></p> <ul style="list-style-type: none"> <li>• Dept. of Health</li> <li>• Health Care Authority</li> <li>• DSHS-Medical Assistance Admin.</li> <li>• Dept. of Labor and Industries</li> <li>• Christina Hulet/Mark Rupp, Policy</li> <li>• <b>Elise Greef, OFM Budget</b></li> </ul> <p>Staff and research support: Harold Nelson</p>
<p><b>Improve the mobility of people, goods, and services</b></p> <ul style="list-style-type: none"> <li>• Dept. of Transportation</li> <li>• Freight Mobility Strategic Investment Bd.</li> <li>• CTED-Growth Management</li> <li>• Transportation Commission</li> <li>• Transportation Improvement Board</li> <li>• Dept. of Information Services</li> <li>• Louise Bray Policy</li> <li>• <b>Robin Rettew, OFM Budget</b></li> </ul> <p>Staff and research support: Rich Struna, John Bauer</p>	<p><b>Improve the quality of Washington's natural resources</b></p> <ul style="list-style-type: none"> <li>• Dept. Fish &amp; Wildlife</li> <li>• Dept. of Ecology</li> <li>• State Conservation Commission</li> <li>• Puget Sound Action Team</li> <li>• Interagency Committee on Outdoor Recreation</li> <li>• Dept. of Natural Resources</li> <li>• Keith Phillips, Policy</li> <li>• <b>Jim Cahill, OFM Budget</b></li> </ul> <p>Staff and research support: Jim Skalski, Ann-Marie Sweeten, Carol Jenner</p>
<p><b>Improve cultural and recreational opportunities throughout the state</b></p> <ul style="list-style-type: none"> <li>• State Parks</li> <li>• Dept. Fish &amp; Wildlife</li> <li>• Arts Commission</li> <li>• Wa. St. Historical Society</li> <li>• Interagency Committee on Outdoor Recreation</li> <li>• Dept. of Archeology and Historic Preservation</li> <li>• Elliott Marks, Policy Staff</li> <li>• <b>Linda Steinmann, OFM Budget</b></li> </ul> <p>Staff and research support: Heather Moss, Erica Gardner</p>	<p><b>Strengthen the ability of state government to achieve results efficiently and effectively</b></p> <ul style="list-style-type: none"> <li>• General Administration</li> <li>• Dept. of Information Services</li> <li>• Dept. of Personnel</li> <li>• OFM Systems</li> <li>• State Printer</li> <li>• Dept. of Social and Health Services</li> <li>• Dept. of Retirement Systems</li> <li>• Wa. State Lottery</li> <li>• Liquor Control Board</li> <li>• Antonio Ginatta, Policy</li> <li>• <b>Theo Yu, OFM Budget</b></li> </ul> <p>Staff and research support: Deborah Feinstein, Rochelle Klopfenstein, Yi Zhao</p>

**Note:** Bold indicates Team lead. Staff and research support: Budget analysts will provide general staff support to the team. Forecasting staff will provide data and research support including technical assistance for the development of indicators and, where available, meta-research on the effectiveness of activities within POG result areas.

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## **About the Priorities of Government Process**

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Thank you for participating in Washington State's Priorities of Government (POG) process. You were invited by the Governor and the Office of Financial Management to participate because we know you have the experience, ideas and commitment to help us do a better job of designing the single-most important policy document in the state government – the state operating budget.

POG is our budget approach. Your role over the next year is to help us develop budget priorities that will effectively deliver the services that matter most to the people of Washington. Together we will create a strategic framework for state government by answering these questions:

- What are the results that citizens expect from government?
- What strategies are most effective in achieving those results?
- Given the money available, which activities should we buy to implement those strategies?
- What changes in practice or costs do we need to make to maximize the results we deliver to citizens?
- How will we measure our progress?

This fall, you will help identify information that will be critical to the success of next year's activity prioritization work.

### **How POG aids budget development**

- **Gives us the whole picture – from a citizen perspective**

The traditional approach to budgeting – focusing on incremental changes in the base budget – can only take us so far. POG, instead, views all of state government – all its agencies and all its functions – as a single enterprise. New proposals are evaluated in the context of all that state government does, and strategies for achieving priority results are developed with an eye on all the state resources that are available. POG helps us explain our budget decisions to the public, and it helps us keep a citizen-focused perspective on the budget.

- **Focuses on a results-based prioritization of government activities**

We face many constraints in building a budget, but that doesn't mean we have to live with them. Priorities of Government budgeting assumes we change the rules, if necessary, to maximize the results we can get from state government. What we learn from POG can help us build the business case for removing barriers standing in the way of delivering results to citizens.

POG's a pressure cooker – we admit it. Deliberations and deadlines occur at a brisk pace, but that helps the results teams on which you serve stay focused on getting results. Thank you for joining us; we need your best thinking.

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### Description of Key POG Process Elements

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#### Statewide Results

The Priorities of Government process identified 10 results that form the core of what must be done, and done well, to serve the citizens of Washington State:

Statewide Results
<ol style="list-style-type: none"><li>1. Improve student achievement in elementary, middle and high schools</li><li>2. Improve the value of postsecondary learning</li><li>3. Improve the health of Washingtonians</li><li>4. Improve the security of Washington's vulnerable children and adults</li><li>5. Improve the economic vitality of businesses and individuals</li><li>6. Improve statewide mobility of people, goods and services</li><li>7. Improve the safety of people and property</li><li>8. Improve the quality of Washington's natural resources</li><li>9. Improve cultural and recreational opportunities throughout the state</li><li>10. Strengthen the ability of state government to achieve results efficiently and effectively</li></ol>

These results form the framework of the POG exercise. Teams of subject-matter experts have been organized for each result area to make recommendations on the strategies and activities most essential for achieving these results.

#### Key Indicators

In past POG efforts, teams each identified three to five key indicators they believed would provide the best evidence to the citizen about progress toward the result. These indicators have been refined and baseline data for most is now available on the OFM web site at <http://www.ofm.wa.gov/fiscal/pog/indicators/>.

This fall, results teams will be asked to review these indicators and to develop indicators for the statewide strategies to achieve these results.

#### Causal Factor Maps

POG teams also developed a diagram to depict the causal factors that most influence the result. Teams were asked to consider all causal factors, not just those influenced by state government. The most recent causal maps can be found on the OFM web site at <http://www.ofm.wa.gov/budget/pog/resources.htm>.

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### **Statewide Purchase Strategies**

After developing the causal factor maps, teams used their experience and available research to select the most important strategies the state should pursue to achieve their designated statewide result.

This fall, teams will review these purchase strategies and identify key indicators of success for each.

### **Activity Inventory**

The "Activity Inventory" describes the major activities of each agency. An activity is something an organization does to accomplish its goals and objectives. An activity consumes resources and produces a product, service, or result. One way to define activities is to consider how agency employees describe their jobs to their families and friends. On behalf of the state's citizens, we basically want to know, "What do you do? For whom? Why is it valuable?"

Activity descriptions tend to be better than program descriptions at revealing the nature and purpose of the work state government performs. The results teams will use the activity inventory as the starting point for developing purchase plans. The Activity Inventory, reflecting the estimated activity costs of the 2005-07 budget, is available on the OFM web site at <http://www.ofm.wa.gov/budget/pog/resources.htm>.

Each activity description includes the following information:

- A brief description of the activity, its purpose, and its intended recipient or beneficiary;
- The estimated cost of the activity; and
- The expected results of the activity (conveyed as one or more performance measures and/or as a concise narrative description of outcomes).

In the Activity Inventory system, we have identified a "primary statewide result" for each activity. This enables us to present the full budget by activity without double counting. The reports listed above list only the primary activities for each result. However, because many activities certainly contribute to more than one result, we also note in the database any additional result areas to which the activity may contribute. Results teams will receive reports during the process that include every activity that might contribute to their result.

### **Purchase Plan**

In the fall of 2006, results teams will be asked to develop a purchase plan for their result area. By purchase plan we mean the list of activities most important to procure to implement the strategies most important for achieving the result. Teams may "purchase" activities from the Activity Inventory, purchase modified forms of those activities, or purchase completely new activities.

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### **Result Team Roles**

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The Results Teams typically include six to ten subject-matter experts from the executive branch of government. The leads for each of the eleven teams is listed below:

### **Results Team Responsibilities**

It is critical that you think of yourself as agents for Washington's citizens. Your job is to craft a purchase plan on their behalf that will best deliver your assigned result to them, both short-term and long-term. It is vital to our success that you think beyond the scope and interests of just your own agency to take a statewide, citizen-centered perspective of your result area.

This is a big job. We hope to make it a more manageable job by breaking the work into phases and engaging the help of agencies in the creation and analysis of proposals.

Here is an overview of the Priorities of Government work for the 2007-09 budget development cycle. Please note that the exact tasks for the fall of 2006 may change as plans are refined.

### **Fall 2005/Winter 2006**

1. Identify indicators of success for the high-level purchase strategies most important for the state to pursue to achieve results.
2. Assess the progress we're making with the path we are on today.
3. Identify opportunities to improve results through cost-efficiencies or alternative service delivery.
4. Identify research and information the team would like to have on hand next year as it takes on the activity prioritization task.

As work begins this fall, teams may want to think about establishing some ground rules around participation, decision-making, and other meeting management issues.

Each team includes an OFM budget analyst who will serve as a lead in helping the team access agency information and subject-matter experts to aid the team discussions. A research consultant has also been assigned to each team to assist with research needs.

### **Fall 2006**

1. Assess the progress we're making with the path we are on today.
2. Review agencies' responses to the team's recommendations about efficiencies and service delivery alternatives and modify recommended high-level purchase strategies as needed.
3. Develop a purchase plan designed to best achieve results within the constraints given to the team. The plan should identify the most important activities to purchase to implement the high-level strategies. Also prepare a prioritized list of the activities to buy next, if more money were available.

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**Task 1: Developing Performance Indicators for Statewide Strategies**

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**Products Due by January 13**

**1. Any proposed changes to the Causal (Strategy) Map or the list of high-level strategies most important for the state to pursue to achieve this result.**

In the 2004, teams refined the “causal map” or illustration of the key factors that affect the achievement of the result. (You can view these examples in the team reports (appendices) file at <http://www.ofm.wa.gov/budget/pog/reports.htm>.) To develop these maps, teams were asked to make an evidence-based assessment of the most important factors of success for that result area. Then the team identified the factors most influential to these first tier factors, and so on until the group felt they had identified all of the key factors contributing to achieving the result. Teams used lines, arrows, etc. to note linkages among the factors.

These causal factor maps—also sometimes called strategy maps—were helpful in articulating the most important influences on results and served as an aid in selecting and prioritizing the strategies the state should pursue to achieve results. Please review the existing causal map and update it to reflect your most current understanding of the key factors that affect achievement for the result.

Teams also identified the high-level strategies the state should pursue to maximize results. (<http://www.ofm.wa.gov/budget/pog/reports.htm>) Do these strategies need to be revised? In looking at the causal map, research and evidence on proven strategies, and your assessment of performance progress to date, what are the most important strategies the state should pursue to maximize the results to citizens? What is the overall framework by which the result can be delivered or produced?

**Expectation:** We expect very few changes to the causal maps, the high-level strategies and the indicators for the statewide-result. Ideally the group should focus on developing any missing strategy indicators.

**2. Key indicators for the statewide result and for each high-level strategy.**

In past POG efforts, teams have identified key indicators they believed would provide the best evidence to the citizen about progress toward the result. These indicators have been refined and baseline data for most is now available on the OFM web site at <http://www.ofm.wa.gov/fiscal/pog/indicators/default.htm> and in reports from the Performance Measure Tracking System. Do these indicators still seem to be the best measures of success? What changes or additions would you recommend, if any?

In the statewide GMAP forums, teams have been using the logic model to identify relevant performance measures and indicators at various levels of the logic model. The result team can contribute to this effort by identifying key performance indicator for each of the purchase strategies for this result.



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### Task 2: Defining Budget Focus Areas

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#### Products Due by January 13

1. **A list of three to five recommended budget focus areas for this result area. In particular, we are looking for ideas with promise for improving results in this result area or reducing the cost of high-value, but high cost activities.** OFM will issue targeted budget instructions to agencies in February 2006, asking for budget and legislative proposals that address some or all of these recommendations. These proposals will be available to teams for the prioritization work next fall.

Last fall, result teams identified the activities most important to achieve results. Now we would like the teams to ask these questions on behalf of the citizen, “Are we buying these important activities at the best possible price?” “Could we improve results through more efficient or effective service delivery?” We can deliver more results to citizens for the money if the costs of high-priority activities can be reduced.

For each focus area, the team should make recommendations, or propose alternatives, for achieving result improvements or cost reductions. These do not have to be complete proposals, but they do need to be researched enough to be viable, and described well enough so that agencies could be asked to prepare fully-developed a fully developed proposal as part of the 2005-07 budget submittal.

Here is a sample template, which displays an idea raised by a POG group last year that was adopted in the budget.

Result	Recommended Focus Area	Affected Agencies	Suggested Lead Agency
Economic Vitality	Develop a proposal to reduce the cost of making grants and loans for local infrastructure. Consider the feasibility of using a structure where requests for state funding would come through a single process.	CTED, Ecology, DOT, IAC, SCC	CTED

Here are some questions and tools that may be helpful in identifying key focus areas.

1. Assess the success or failure of current strategies
  - Looking at the performance information available to you and what’s being learned through agency and statewide GMAP forums, how would you describe progress in achieving this result?
  - What are the most significant areas of success in this result area today?
  - Where do you see the most significant performance gaps? Do these gaps represent the failure of a strategy, the failure to fund a given strategy, or something else?
  - Where are the most significant opportunities to improve results?

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2. What barriers impede the state's ability to achieve results?
  - What is being learned through agency GMAP sessions?
  - Do statutory or operational barriers (including fund source restrictions) interfere with pursuing the recommended high-level strategies?
  - In reviewing the prioritized plan from last year, are there high-value, high-cost activities that could be reviewed for possible cost savings?
  - Are there opportunities to improve results through cost-efficiencies or alternative service delivery?

3. Once a budget focus area has been identified, use this checklist to help diagnose the problem and identify a promising improvement approach.

### **Checklist - Tools for Results Teams to Consider** (Adapted from materials provided by the Public Strategies Group)

<i>Is there an opportunity to . . .</i>	
1. Eliminate on activity or process that doesn't contribute significantly to results?	
2. Consolidate programs or agencies by consolidating or reconciling missions?	
3. Consolidate funding streams in order to better use resources for true priority activities?	
4. Consolidate policy authority now dispersed among various organizations?	
5. Consolidate similar operations now dispersed among various organizations?	
6. Consolidate layers within an organization?	
7. Consolidating access to information?	
8. Consolidating "back room" activities now dispersed among various organizations?	
9. Have an activity performed better or at a lower cost at another level of government or in another agency or program?	
10. Cut the "cost of mistrust" by finding less costly means of promoting compliance?	
11. Reduce the cost of accountability by ensuring controls are commensurate with the risks?	
12. Reduce the costs or improve the results of an activity through competitive contracting?	
13. Improve results by setting service standards or guarantees?	
14. Make services more responsive to citizen preferences?	
15. Improve the return on the state's investments in grants, subsidies entitlements and capital projects?	

**NOTE TO TEAMS:** Take advantage of this early start to identify research and information the team would like to have in hand next year as they take on the activity prioritization task. Research support to the teams will strive to supply this type of information to the team next year.

## **Appendix**

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### **Tools for Results Teams to Consider Doing the Right Things. Doing Them Right.**

*(This is a full discussion of the ideas on the checklist.  
Adapted from materials provided by the Public Strategies Group. )*

In times of budget constraints, many activities currently being performed may not be funded, even though they support the desired results. If we can find ways to do the most important activities more cost-effectively, we can potentially free up funds for other activities we could not otherwise afford.

In essence, once we have determined that we are “doing the right things,” we should ask ourselves if we are “doing things right.” To support that work, we suggest teams consider several proven “tools.”

#### **Tools for “Doing Things Right”**

Many of the activities of state government can demonstrate a significant contribution to the desired results. About such activities we can still ask, “Are we buying those results as the best price,” or “Can we get more ‘bang for the buck’ if we bought the results in a different way?” In moving to such a results orientation, staff and managers frequently feel constrained by statutes, rules, assumptions, directives or “the way we’ve always done it.” Sometimes, they constrain themselves – through understandable pride or a felt need to defend the practices and people within their purview. Doing that can limit the effectiveness of their workgroups, keeping them stuck in outdated procedures or approaches, that are no longer appropriate or as effective as they could be.

The following tools are intended to challenge, support and guide managers and staff as they consider how to deliver the desired outcomes at a better price or in a better way.

*IMPORTANT NOTE: Some of the tools below are obvious choices. Others may seem quite radical. Some may require additional authority, or a change in existing regulations. Some are appropriate for application at a process level, some at a program or policy level. All of them have been proven to work when used in the appropriate circumstances.*

*Your challenge – as a team member, manager or a change agent – is to support your group’s effort to determine which tool to apply, and learn how to use it to good effect. Selecting the right tool for the job is a matter of art AND science. In each case the tool should be selected based on the extent to which its application could improve the outcome of the activity, lower the cost of the activity, or both.*

1. **Clear the decks.** Activities that do not contribute significantly to achieving any of the Results should be eliminated. Divesting will almost certainly mean disruption, but in return, it will free up resources to invest in the Results that matter most to citizens. Ordering

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activities by their contribution to the Results provides a good foundation for determining which activities should be considered for elimination.

2. **Consolidate WHERE IT MAKES SENSE.** Consolidation is the perennial favorite of politicians, who often assume there are economies of scale to be had from merging agencies, or merging service programs into “one-stop” centers. These mergers are rarely managed beyond moving boxes around on an organization chart, with the result being few real savings and many new costs, as well as significant disruption in service delivery and staff morale. Consolidations are most likely to produce savings or improve Results if they are well-managed, and focused on specific areas, such as:

- **Consolidating missions.** When programs or agencies are combined, they bring with them their various missions. Reconciling and blending the various missions requires a conscious and deliberate organizational change effort, for which time is rarely taken. The result is a lack of focus, if not outright conflict between missions. Consolidations work best when the sponsors of the consolidation work with the resulting program/agency to agree on a clear, focused mission and set of clear, limited performance targets.
- **Consolidating funding streams.** Far more powerful than consolidating agencies or programs is consolidating their funding streams. Specifically dedicated funding leads inevitably to specifically dedicated - and therefore complicated - agencies. Tracking costs according to the “color of money” is another form of the “cost of mistrust.” Consolidate the funding, focus it on clearly prioritized outcomes, and use it to purchase those outcomes from whatever programs or agencies can best produce them.
- **Consolidating policy authority.** Most agencies have both policy (“steering”) responsibilities and operating (“rowing”) responsibilities. These are not the same! “Steering” focuses on doing the right things, while “rowing” functions focus on doing them right. By separating these roles, each can be performed better. Once separated, steering can be consolidated to assure that policy is integrated and mutually reinforcing across a government unit. When coupled with consolidated funding streams, steering organizations can “purchase” key Results from those who row.

The Master Agreement between the unions and agencies is an example of a consolidated steering authority. Instead of each agency developing individual personnel policies, we can consolidate the responsibility for overarching policy development and negotiation and let individual agencies focus on their core businesses.

Executive management teams who work collaboratively to develop agency-wide policies and priorities, instead of maintaining division or departmental “silos,” are better equipped to find opportunities for supporting shared or collective goals.

- **Consolidating similar operations.** Programs or activities that do similar kinds of work are good candidates for consolidation. Examples include call centers, where technology now makes it cost effective to consolidate customer service call centers in one location instead of in local offices. In such cases, the similarity of the work can offer opportunities for consolidation.

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- **Consolidating layers.** Organizational layers may have been necessary when communication was cumbersome and employee skills were limited. But with today's technology and well-trained workforce the justification for so many layers should be questioned. Consolidating layers can save money. It can also improve service when coupled with delegating more authority to those closest to the customers.
- **Consolidating access.** Much of what government does involves the collection and processing of information. Accessing what the government knows has often been cumbersome and expensive for those inside and outside of government units. Technology provides the opportunity to consolidate access -- and in so doing to reduce costs and improve service. An example of this is the web site developed by the Public Disclosure Commission, which makes it possible for members of the public to access information about campaign spending. The upfront cost of developing the web site has been more than offset by the downstream savings in staff research time. Customers are also much happier with the near instant response to their information requests. Look for ways to consolidate data sources to make access easier for staff and customers alike.
- **Consolidating “back room” activities.** Many agencies have similar back-room functions, e.g., phone answering, purchasing, data storage – even though their activities that directly touch citizens are very different. In these cases there may be an opportunity to create a common “back room,” reduce the total resources dedicated to these functions, and re-deploy resources to direct service activities.

Managers and staff should explore opportunities to consolidate aspects of activities, in whole or in part to produce the assigned Results.

3. **Buy from across the whole “enterprise.”** The means to achieve the desired Results need not be restricted to any specific agency, program or level of government. The best ways to achieve a Result may be found in unexpected places--in places other than where it is currently being done. In the original “POG” exercise, Results Teams looked across the entire state and local enterprise to choose those activities that were best suited to achieving the desired outcome within the resources available. In some cases, they determined that funding was better spent by allocating it to local government agents, or by consolidating similar programs in different agencies.

Staff and managers can do the same thing as they review activities within their own agency. Could the same activity be done better or at a lower cost at another level of government or in another agency or program? Are there non-profits or private sector alternatives that are better?

4. **Look at the whole budget – not just General Fund.** The general fund is only 65% of the state “all funds budget.” In any agency, it may be a larger or smaller proportion of the agency funding. Anything that big is important, but ignoring the rest is a big mistake. And yet that is the norm in state budgeting today.

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We should begin by assuming that all funds are consolidated, allocating them to the desired Results without regard to their “color” or to the “strings attached.” Start by identifying how your TOTAL resources *could* be put to work to achieve the assigned Results. THEN look at how any restrictions (real or perceived) could be addressed. This approach, and the insights that result from it, can:

- Provide a foundation for your conversations with the funding source and support your request for amending the restrictions.
- Identify possible new ways to leverage or apply the funding available.

5. **Cut the cost of mistrust.** The main purpose of 20-30% of government spending is to control the actions of citizens, businesses and the other 70-80% of government. Much of that spending is based on the belief that people will lie, cheat and steal if given the opportunity. If you look into the history of the control program, you will often find that a whole set of policies and procedures were put into place in reaction to one person’s misappropriation. This level of mistrust is not only expensive - it undermines performance.

Examples of opportunities to cut the cost of mistrust abound in any agency - in the multiplicity of signatures on payment vouchers, SCAN bills, travel vouchers, and any other authorizing document. If we could find less expensive ways to “win” compliance, or demonstrate that the cost of mistrust exceeds the risk involved, we could spend more on the activities that produce the Results citizens want. For example, Montgomery County, MD has given its departments the authority to pay invoices in amounts up to \$5,000 rather than sending them to central accounts payable. This created flexibility for departments and allowed a more than 50 percent reduction in the accounts payable staff. Departments are still accountable for their actions, but at a much lower cost.

Many process improvements can be implemented to reduce the layers of “mistrust” that slow down processes and frustrate customers and staff alike.

6. **Make performance consequential.** When there are consequences (either as rewards or sanctions) the incentives for performance can be clearer, and can lead to better results. Examples of ways to make performance consequential include:
- **Manage like an entrepreneur.** What if all service agencies had to “earn” their budgets by selling to citizens or to other agencies? What if they had to “compete” with other public or private providers for the business of state agencies? For example, the Department of Information Services and the Department of Printing have to compete with other information service and print shop providers for agency business. As a result, they are constantly looking for ways to drive costs down, using the competition as their benchmarks.
  - **Contract competitively.** What if public agencies had to compete with other agencies or private businesses to serve the needs of the public? When public agencies are required to compete, they can unleash the creative potential of their employees, because the incentives for success are so direct. The Personnel Services Reform Act will give managers the flexibility to consider contracting for services that would otherwise be done in-house, if it can be done at a better price or with a better result. Before the agency can

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competitively contract a service, staff will have the opportunity to present more cost-effective alternatives.

- **Establish service standards and guarantees.** What if an activity developed and posted service standards and provided customers a rebate or other redress if these standards are not met? That's how it works today when you apply for a passport. They either get it to you on time or you get your money back. The result: delighted customers who get passports much faster than they ever thought possible. Governor Locke's Executive Order 03-01, Service Delivery Standards, requires agencies to establish customer service standards.
- **Manage for performance.** Require every agency, program and activity in state government to set performance targets and then measure and report results against those targets. Doing so focuses attention on what matters most – results. To strengthen the focus, add rewards and recognition for success as well as penalties for poor performance.

It takes several years to develop an effective performance management system, and it requires serious investment. The first two approaches offer faster results and greater savings in the short term; hence, they are more useful during a fiscal crisis. However, over the long term, performance management provides the foundation for measuring outcomes and demonstrating to citizens the return on their investment in government.

Governor Locke's Governing for Results initiative has supported agencies in building the capacity and infrastructure necessary for a performance management system. Continuing the focus on performance measures will allow us to effectively measure and order activities according to their contribution to Results. Civil service reform will also give managers the ability to deploy performance management to the individual employee level by linking performance to compensation and RIF selection.

- **Increase flexibility in return for accountability.** In exchange for performance accountability, give programs and their managers more flexibility in determining how services are delivered. Tying up programs in red tape while making them accountable for performance is a setup for failure.

A performance agreement is one way to assure accountability while increasing flexibility. Such written agreements articulate the overseeing manager's expectations, the service provider's goals and freedoms, how performance will be reported, and how that information will be used to trigger consequences, either positive or negative.

7. **Take the customer perspective.** Although we are in the public service, it's easy to forget how the public sees what we do. Focusing on the results that matter most to citizens means that we must bring that question into our process improvement efforts. As we examine our activities and processes, we should test each step against the requirement that it add positive value to the process customer. If we cannot show that the additional step, review or paperwork supports one of our key Results, we should consider eliminating that step.

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8. **Provide choices to customers.** Just being given a choice often increases any customer's perception of value. We can make services more responsive to customer preferences by:
  - **Letting customers serve themselves** through service vouchers or web-based service delivery. Such services give customers control over the content, time and convenience of the services they want. Washington citizens can now buy fishing licenses, check shellfish beach closures, order a moorage permit, renew tabs and search for a state job from their home 24/7. These kinds of self-service options add value to citizens and can be very cost-effective in the medium or long run.
  - **Giving customers choices** and making sure that the money follows the customers. This creates competition between service providers for the customers' business.
9. **Direct subsidies and tax credits to places where they produce a return.** Much state spending really involves transfers of resources from one set of taxpayers to another. Subsidies result when those who benefit most directly from a service are not the same people who pay for it. Some subsidies are made directly, through assistance payments or tax credits. Other subsidies are indirect, like the way most states subsidize college students by subsidizing the schools they attend. Gas taxes that pay for public transportation is another example. In the case of education subsidies, the rationale has been that investing in education provided an economic return in the form of a better-trained workforce, and a social return in the form of equalizing access.

Over time, subsidies and tax credits come to be seen more as entitlement than an investment. In some cases, they are no longer targeted to those who truly need them, or on producing a return on the investment. By re-examining subsidies and tax credits, and eliminating those that no longer produce the desired Results, we can redirect those resources to more effective strategies.

Agency staff and managers should identify the subsidies within activities AND explore the extent to which they still produce the expected Results. If not, they could be identified as potential policy recommendations.

10. **Connect every entitlement to an obligation.** Much of our budget is spent on aid payments to other governments, institutions or individuals. Those who receive them often treat these payments as entitlements because there is no explicit obligation expected in return. Welfare reform has shown that adding obligations to entitlements can reduce costs, get people back to work sooner, and free up funding for those in greater need.

Managers and staff should review entitlements within activities and explore ways to explicitly connect payments to an obligation that supports the intended Result.

11. **Get a return on capital investments.** Teams that deal with the use of "capital investment" resources should develop mechanisms for assuring that every investment generates results – in the form of a return on that investment. Among the top priorities for capital should be investments – such as technology systems - designed specifically to make government



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service delivery better, faster and cheaper. Proposed investments that produce a high return in improved quality or reduced costs should take precedence over those that produce a lower return.